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C O N F I D E N T I A L SECTION 01 OF 03 KATHMANDU 001001

SIPDIS

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SUBJECT: NEPAL: KING'S ADVISOR OUTLINES STEPS TO FORM NEW GOVERNMENT

Classified By: DCM ROBERT K. BOGGS FOR REASONS 1.5 (B,D)

¶11. SUMMARY: KING GYANENDRA'S BUSINESS PARTNER AND CONFIDANT, PRABHAKAR RANA, TOLD THE CHARGE AND DCM ON MAY 28 THAT REPEATED EFFORTS TO PERSUADE THE LEADERS OF THE TWO MAIN POLITICAL PARTIES TO ACCEPT SOMEONE ELSE AS PRIME MINISTER HAD FAILED. AS A RESULT, THE KING IS LIKELY TO CALL ALL THE PARTIES TOGETHER AGAIN SOON (PERHAPS AS EARLY AS MAY 31) TO PRESENT THEM WITH AN ULTIMATUM--EITHER COME TO HIM SOON WITH THE NAME OF AN AGREED CANDIDATE FOR PRIME MINISTER OR THE KING WILL APPOINT A PRIME MINISTER OF HIS OWN CHOOSING. CURRENTLY, THE KING'S LEADING CANDIDATE FOR PM IS PARLIAMENTARY SPEAKER TARANATH RANABHAT. ALTHOUGH THERE ARE A NUMBER OF GOOD REASONS WHY RANABHAT SHOULD BE ACCEPTABLE TO A NUMBER OF PARTIES, EMBASSY IS NOT CONFIDENT THAT THE LEADERS OF THE MAJOR PARTIES WILL ACCEPT HIS APPOINTMENT. IF THE PARTIES CANNOT REACH AGREEMENT SOON ON A COMMON CANDIDATE AND REJECT THE KING'S CHOICE, PROSPECTS FOR FORMING A BROADER-BASED NEW GOVERNMENT AND ENDING POLITICAL PARTY AGITATIONS REMAIN DIM. END SUMMARY.

¶12. (C) PRABHAKAR RANA, BUSINESS PARTNER AND CONFIDANT OF KING GYANENDRA, VISITED EMBASSY ON MAY 28 TO BRIEF CHARGE AND DCM, WITH THE KING'S AUTHORIZATION, ON RECENT STEPS BY THE PALACE TO FORCE A CONSENSUS AMONG NEPAL'S AGITATING PARTIES ON A NEW, MULTI-PARTY GOVERNMENT. RANA EXPLAINED THAT HE HAD BEEN CHARGED BY THE KING WITH ATTEMPTING TO ESTABLISH A "STRATEGIC ALLIANCE" WITH GIRIJA PRASAD KOIRALA, OCTOGENARIAN LEADER OF THE MAIN FACTION OF THE NEPALI CONGRESS PARTY. THE RATIONALE FOR SUCH AN ALLIANCE WAS THAT KOIRALA, BY VIRTUE OF HIS AGE AND EXPERIENCE, COULD BEST SERVE AS LEADER OF THE LIBERAL DEMOCRATIC PARTIES AS THE KINGDOM MOVES TOWARD PARLIAMENTARY ELECTIONS IN THE COMING YEAR UNDER A NEW GOVERNMENT. SUCH AN ALLIANCE IS IMPORTANT, RANA EXPLAINED, BECAUSE THE LIBERAL DEMOCRATIC PARTIES WERE SO DIVIDED THAT NONE OF THEM WAS LIKELY TO WIN CONTROL OF AN ELECTED PARLIAMENT, MAKING IT NEARLY CERTAIN THAT THE BETTER ORGANIZED COMMUNIST PARTIES WOULD DO SO. MOST OF THE LIBERAL DEMOCRATIC PARTIES, INCLUDING THE NEPARI CONGRESS, HAVE SPLIT, AND THE CONSERVATIVE RPP SHOWS SIGNS AGAIN OF SPLITTING AS WELL.

¶13. (C) AS EXPECTED, RANA SAID, KOIRALA HAD PROVEN TO BE A DIFFICULT, STUBBORN MAN DURING THE NINE PRIVATE CONVERSATIONS THE TWO HAD HELD. IT WAS CLEAR, RANA SAID, THAT THE ELDER POLITICIAN COULD NOT ACCEPT ANYONE OTHER THAN HIMSELF TO BE APPOINTED AS PRIME MINISTER IN A NEW GOVERNMENT. RANA SAID HE HAD TRIED TO REASON WITH KOIRALA, PROPOSING A NUMBER OF NAMES OF POLITICAL LEADERS WITHIN KOIRALA'S OWN PARTY WHO MIGHT BE ACCEPTABLE TO HIM. DESPITE THIS, HOWEVER, KOIRALA HAD REJECTED EVERY NAME, ARGUING THAT ANY PRIME MINISTER FROM HIS PARTY OTHER THAN HIMSELF WOULD ONLY DIVIDE HIS PARTY FURTHER. FINALLY, DURING THEIR LAST MEETING THIS WEEK, RANA HAD MADE IT UNMISTAKABLY CLEAR THAT KOIRALA WOULD NOT BE ACCEPTABLE AS PRIME MINISTER EITHER TO THE KING OR TO THE NEPALI PEOPLE. THE EFFECT OF THIS MESSAGE, RANA SAID, HAD BEEN CRUSHING, MAKING KOIRALA LOOK UNCHARACTERISTICALLY FULLY AS OLD AS HIS 81 YEARS. IN MORE RECENT COMMUNICATIONS KOIRALA HAS APPEARED TO SOFTEN SOMEWHAT, SAYING HE WOULD ACCEPT PUSHUPATI RANA, THE PRESIDENT OF ONE FACTION OF THE RPP, AS PRIME MINISTER, BUT HAS REMAINED ADAMANT THAT HE WILL ACCEPT NO ONE FROM THE NEPALI CONGRESS. PRABHAKAR RANA OPINED THAT, BASED ON PAST PERFORMANCE, KOIRALA IN FACT PROBABLY WOULD NOT ACCEPT EVEN PASHUPATI RANA AS PM. KOIRALA HAD SAID HE WOULD WANT TO PHASE OUT STREET DEMONSTRATIONS GRADUALLY OVER A TWO-MONTH PERIOD AFTER A NEW GOVERNMENT WAS APPOINTED, BUT PROBABLY WOULD USE THEM INSTEAD TO OPPOSE ANY GOVERNMENT THAT HE DID NOT HEAD.

¶14. (C) RANA WENT ON TO EXPLAIN THAT THE KING HAS TOLD SHER BAHADUR DEUBA, THE LAST ELECTED PRIME MINISTER AND LEADER OF THE BREAKAWAY FACTION OF THE NEPALI CONGRESS, THAT HE WOULD BE ACCEPTABLE AS PRIME MINISTER IF HE COULD OBTAIN THE SUPPORT OF OTHER PARTIES. DEUBA, HOWEVER, HAS FAILED TO OBTAIN THE SUPPORT OF THE IMPORTANT COMMUNIST PARTY OF NEPAL-UNITED MARXIST-LENINIST (CPN-UML) AND WOULD NEVER BE ACCEPTABLE TO GIRIJA KOIRALA. THE KING, RANA EXPLAINED, WOULD NOT ACCEPT A COMMUNIST PRIME MINISTER, SO THE LEADER OF THE CPN-UML, MADHAV KUMAR NEPAL, AND HIS COLLEAGUES ARE NOT CANDIDATES FOR PRIME MINISTER. IN AN ASIDE, RANA EXPLAINED THAT DESPITE THE RELATIVE DISCIPLINE OF THE CPN-UML'S RULING CENTRAL COMMITTEE, OTHER PROMINENT MEMBERS OF THE CPN-UML DISLIKE MADHAV NEPAL AND WOULD OPPOSE HIS BEING NAMED PRIME MINISTER. MADHAV NEPAL, HOWEVER, HAS BEEN UNRELENTING IN PURSUIT OF THE PRIME MINERSHIP FOR HIMSELF AND HAS BEEN LOATHE TO SIGNAL SUPPORT FOR ANYONE ELSE.

15. (C) CURRENTLY THE KING'S PREFERRED CANDIDATE FOR COMPROMISE PRIME MINISTER IS PARLIAMENTARY SPEAKER TARANATH RANABHAT. RANA SAID THAT HE HAD EXPLAINED TO KOIRALA THAT THE SPEAKER HAS A NUMBER OF ADVANTAGES AS PRIME MINISTER, VIZ:

-- ALTHOUGH PARLIAMENT HAS BEEN DISSOLVED, RANABHAT CONTINUES TO SERVE AS SPEAKER, THE MOST PROMINENT CONSTITUTIONAL POSITION STILL ACTIVE.

-- DESPITE TENSIONS BETWEEN RANABHAT AND HIS PARTY LEADERS SINCE HIS APPOINTMENT AS SPEAKER, HE REMAINS INDISPUTABLY A MEMBER OF THE NEPALI CONGRESS PARTY.

-- SINCE RANABHAT HAS NO INDEPENDENT POLITICAL FOLLOWING, HE WILL BE MORE DEPENDENT THAN MANY OTHER CANDIDATES ON THE NEPALI CONGRESS LEADERSHIP FOR POLICY GUIDANCE.

-- RANABHAT SHOULD BE ACCEPTABLE TO OTHER PARTIES, WITH WHICH HE HAD WORKED WELL DURING HIS TENURE AS SPEAKER. (RANA SAID HE BELIEVED THAT THE RPP AND SABHAVANA PARTIES ALREADY SUPPORTED RANABHAT, AND DEUBA MAY BE MOVING IN THAT DIRECTION.)

-- THE SPEAKER HAS SAID PUBLICLY THAT HE WILL NOT CONTEST FORTHCOMING ELECTIONS OR SEEK OTHER POLITICAL OFFICE.

WHAT HE DID NOT MENTION TO KOIRALA, RANA ADDED, IS THAT RANABHAT HAS A BETTER REPUTATION FOR PROBITY THAN THE POLITICAL PARTY LEADERS. DESPITE ALL THESE ADVANTAGES, RANA SAID, RANABHAT'S CANDIDACY WAS REJECTED BY KOIRALA, WHO ARGUED THAT THE SPEAKER WOULD BECOME ANOTHER DEUBA AND SPLIT HIS PARTY AGAIN.

16. (C) ACCORDING TO RANA, THE KING'S NEXT STEP PROBABLY WOULD BE TO CALL ANOTHER MEETING IN THE PALACE WITH ALL THE PARTIES TO PRESENT THEM WITH AN ULTIMATUM. THE KING WOULD GIVE THEM A LIMITED AMOUNT OF TIME (PERHAPS AS LITTLE AS 24 HOURS) TO PROVIDE HIM WITH THE NAME OF AN AGREED CANDIDATE FOR PRIME MINISTER. (RANA WAS UNSURE HOW MANY PARTIES WOULD BE INVITED TO THIS MEETING. HE SAID THE KING MIGHT INVITE AS MANY AS SEVEN OR EIGHT PARTIES ALTHOUGH TECHNICALLY THERE ARE ONLY THREE "NATIONAL PARTIES": THE NEPALI CONGRESS, THE CPN-UML, AND THE RPP. OTHER PARTIES ARE RECOGNIZED BY THE ELECTION COMMISSION AND HAD MEMBERS IN THE PAST PARLIAMENT EVEN THOUGH THEY FAILED TO WIN EVEN THREE PERCENT OF THE TOTAL VOTE. OTHER PARTIES, LIKE THE FACTION OF THE NEPALI CONGRESS HEADED BY FORMER PM DEUBA AND THE BREAKAWAY FACTION OF THE SABHAVANA PARTY, ARE NOT REGISTERED AS OFFICIAL PARTIES.) REGARDING THE DEMAND OF THE FIVE AGITATING PARTIES THAT THE KING ACKNOWLEDGE FORMALLY THAT HE IS RETURNING TO THE NEPALI PEOPLE THE SOVEREIGNTY THAT HE ASSUMED "TEMPORARILY" HIMSELF WHEN HE DISSOLVED THE GOVERNMENT IN OCTOBER 2003, RANA SAID, THE KING WAS PREPARED TO RELEASE A STATEMENT TO THE PRESS TO THAT EFFECT WHEN HE ANNOUNCES A NEW PRIME MINISTER. THE KING IS NOT WILLING, HOWEVER, TO ACCEDE COMPLETELY TO THE PARTIES' DEMAND THAT ALL CABINET PORTFOLIOS BE HELD BY PARTY MEMBERS. THE KING IS INCLINED, RANA EXPLAINED, TO APPOINT A FEW PROMINENT MEMBERS OF CIVIL SOCIETY TO HEAD ESPECIALLY TECHNICAL MINISTRIES.

17. (C) RANA EXPLAINED THAT HE HAD NOT CONSULTED RECENTLY WITH INDIAN AMBASSADOR SHYAM SARAN, BUT BELIEVED THAT SARAN, AFTER STRENUOUS EFFORTS TO BROKER AN AGREEMENT AMONG THE PARTIES, HAD CONCLUDED THAT GIRIJA KOIRALA AND MADHAV NEPAL WERE "UNBENDABLE." IF ANYONE WOULD BE ABLE TO BRING THE PARTIES AROUND, RANA SAID, IT WOULD BE THE INDIANS, AND THEY HAD FAILED. HE SAID HE COULD NOT BE CERTAIN, BUT BELIEVED THAT THE KING HAD CHARGED OTHER PERSONAL REPRESENTATIVES TO TRY TO REASON WITH MADHAV NEPAL, HAS RANA HAD DONE WITH KOIRALA. ONE POSITIVE DEVELOPMENT, HE NOTED, IS THAT THE PARTY LEADERS NO LONGER INSIST THAT THE KING ADDRESS THEIR 18-POINT PROGRAM OR DEMAND RESTORATION OF THE LAST PARLIAMENT. RANA ADMITTED THAT THE KING DOES NOT ALWAYS FOLLOW HIS ADVICE, BUT HE HAD PRESSED THE MONARCH TO MAKE A DECISION SOON BECAUSE INACTIVITY WAS ERODING HIS POPULAR SUPPORT. THE KING COULD CALL THE PARTIES TOGETHER AGAIN AS SOON AS MAY 31, HE PREDICTED.

18. (C) COMMENT: ALTHOUGH PRABAKHAR RANA'S BRIEFING WAS, AS USUAL, WELL-REASONED AND SOMEWHAT ENCOURAGING IT IS STILL NOT CLEAR THAT THE TWO MAJOR LEADERS OF THE AGITATING PARTIES ARE RECONCILED TO ACCEPTING SOMEONE ELSE AS PRIME MINISTER AND WILL EITHER BE ABLE TO REACH A CONSENSUS ON A NEW PM OR SUPPORT A GOVERNMENT HEADED BY ANOTHER ROYAL APPOINTEE. IN FACT, BEFORE THE DAY ENDED, A SPOKESMAN FOR THE NEPALI CONGRESS PUBLICLY REJECTED THE NOTION OF TARANATH RANABHAT AS PM. IF THE PRINCIPAL PARTIES REMAIN OBDURATE, A NEW GOVERNMENT UNDER A NEW PRIME MINISTER WILL HAVE ACHIEVED LITTLE TOWARD RESOLVING NEPAL'S POLITICAL IMPASSE. END COMMENT.
BOGUE